

<p style="text-align: right;">118</p> <p>1 Orley George Cameron</p> <p>2 Q. Are those the records you are</p> <p>3 referring to when you say you have updated the</p> <p>4 records?</p> <p>5 A. Right, um-hum.</p> <p>6 Q. Do you know what the current amount</p> <p>7 of the discrepancy you identified is?</p> <p>8 A. No. I have not -- I don't have it</p> <p>9 in front of me.</p> <p>10 Q. But is that the figure you could</p> <p>11 figure out if you saw your records?</p> <p>12 A. Yes.</p> <p>13 Q. Do you have any idea of what it is</p> <p>14 as we sit here today?</p> <p>15 A. No, because I remember there was</p> <p>16 2.1 million on Lakeview specifically, yes.</p> <p>17 Q. The 2.1 million for Lakeview that</p> <p>18 you are recalling, that is information you</p> <p>19 haven't been able to get the records to</p> <p>20 verify?</p> <p>21 A. Right, to vouch, right, or some of</p> <p>22 the records that we received is not clear.</p> <p>23 Q. So if you were to review --</p> <p>24 MR. HAYWOODE: I am sorry. The</p> <p>25 witness was still answering.</p>	<p style="text-align: right;">120</p> <p>1 Orley George Cameron</p> <p>2 MR. TRAUB: I have a few.</p> <p>3 EXAMINATION</p> <p>4 BY MR. TRAUB:</p> <p>5 Q. The loss that was reported in 2006</p> <p>6 for Lakeview, that included depreciation and</p> <p>7 amortization, did it not?</p> <p>8 A. I'm sure it would, yes.</p> <p>9 Q. Those are non-cash items, isn't that</p> <p>10 correct?</p> <p>11 A. Correct.</p> <p>12 Q. And you actually found invoices to</p> <p>13 support expenditures in excess of \$3 million</p> <p>14 for 2006 on Lakeview; did you not?</p> <p>15 A. Since we have a difference, the</p> <p>16 expenditures -- I don't recall. I don't</p> <p>17 recall.</p> <p>18 Q. In the invoices and the backup</p> <p>19 documentation that you have been provided,</p> <p>20 have you found any discrepancies between those</p> <p>21 invoices or other items and the amounts</p> <p>22 reported in the general ledger?</p> <p>23 A. The discrepancy between those</p> <p>24 amounts, yes, because one of which I pointed</p> <p>25 out was that invoice from Marks Paneth & Shron</p>
<p style="text-align: right;">119</p> <p>1 Orley George Cameron</p> <p>2 A. (continuing) I am saying some of the</p> <p>3 records we received were not clear.</p> <p>4 So, for example, we had asked for</p> <p>5 information to support the prepaid real estate</p> <p>6 tax. The information we got is actually a</p> <p>7 printout from the Department -- from the</p> <p>8 New York City Tax Department, which shows</p> <p>9 payment for tax for the current period.</p> <p>10 I think there was one payment for a</p> <p>11 subsequent period, which did not amount to the</p> <p>12 amount on the -- we can go over it, the</p> <p>13 records I got -- that amount on the balance</p> <p>14 sheet or in the general ledger for prepaid</p> <p>15 tax.</p> <p>16 Q. So if you were provided the</p> <p>17 appropriate record, you could then verify that</p> <p>18 the amounts were paid properly?</p> <p>19 MR. HAYWOODE: Objection as to what</p> <p>20 the appropriate record is.</p> <p>21 A. If we were provided the appropriate</p> <p>22 record, yes, because that's what we do. We</p> <p>23 look for appropriate records.</p> <p>24 MR. KELLY: I have no further</p> <p>25 questions.</p>	<p style="text-align: right;">121</p> <p>1 Orley George Cameron</p> <p>2 for '05.</p> <p>3 The invoice was dated in '05, but it</p> <p>4 was for service and was capitalized for</p> <p>5 service performed in '04. That's number one.</p> <p>6 Number two, we saw -- there were</p> <p>7 invoices, I think it was displayed at one of</p> <p>8 the depositions, there was an invoice for</p> <p>9 service that was provided in '04.</p> <p>10 Actually, the invoice was dated in</p> <p>11 '02, but it was expensed in '06.</p> <p>12 Q. But the numbers were accurate, were</p> <p>13 they not?</p> <p>14 MR. HAYWOODE: Objection.</p> <p>15 A. I don't know whether they were</p> <p>16 accurate.</p> <p>17 Q. In other words, the numbers that</p> <p>18 were reported on the books and records were</p> <p>19 the same as the numbers that are on the actual</p> <p>20 invoices; isn't that true?</p> <p>21 A. Right. It was compounded. So part</p> <p>22 of that payment, it was a compound payment and</p> <p>23 part of that payment and included in that</p> <p>24 payment was an invoice dated from '02 and it</p> <p>25 was expensed in '06.</p>

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<p style="text-align: right;">122</p> <p>1 Orley George Cameron</p> <p>2 Q. And the numbers that were listed</p> <p>3 on the 2002 invoice and the numbers that are</p> <p>4 listed on the books and records for that</p> <p>5 invoice, the payments are the same?</p> <p>6 A. The payments are the same but there</p> <p>7 is a problem with the invoice.</p> <p>8 The invoice, if it was outstanding</p> <p>9 from '02, I mean obviously there's a problem</p> <p>10 with that, number one.</p> <p>11 If the auditor was not paid since</p> <p>12 '02 it's a problem with independence. That's</p> <p>13 number one.</p> <p>14 Number two, it was not accrued in</p> <p>15 the financial statement before because it was</p> <p>16 not listed as an outstanding amount, and if it</p> <p>17 was, it also would pose an independence</p> <p>18 problem.</p> <p>19 And since it was dated in '02 and it</p> <p>20 was paid in '06, it should have been adjusted</p> <p>21 to the prior period and not be expensed in the</p> <p>22 current period.</p> <p>23 So there were quite a number of</p> <p>24 issues with it.</p> <p>25 Q. But, Mr. Cameron, my question to you</p>	<p style="text-align: right;">124</p> <p>1 Orley George Cameron</p> <p>2 Q. If they were on an accrual basis,</p> <p>3 they would have expensed that money in 2002,</p> <p>4 is that correct?</p> <p>5 MR. KELLY: Objection.</p> <p>6 A. If I may answer the question or if I</p> <p>7 may clarify the issue. I am using my</p> <p>8 expertise as an accountant, if you will permit</p> <p>9 me to answer the question.</p> <p>10 MR. TRAUB: Before you do,</p> <p>11 Mr. Haywoode --</p> <p>12 MR. HAYWOODE: Let's let him answer</p> <p>13 the question.</p> <p>14 MR. TRAUB: No.</p> <p>15 Are you proffering him as an expert</p> <p>16 on accounting?</p> <p>17 MR. HAYWOODE: I am not dealing with</p> <p>18 that now.</p> <p>19 May we have his answer? Let's have</p> <p>20 his answer and then -- Darren, you're</p> <p>21 interrupting the witness's testimony.</p> <p>22 MR. TRAUB: He is about to testify</p> <p>23 as an expert on accounting.</p> <p>24 THE WITNESS: As a professional</p> <p>25 accountant.</p>
<p style="text-align: right;">123</p> <p>1 Orley George Cameron</p> <p>2 is the numbers --</p> <p>3 A. The amounts.</p> <p>4 Q. -- the amounts are the same?</p> <p>5 A. Yes.</p> <p>6 Q. And the same question for the 2005</p> <p>7 approximately \$22,000 invoice that you were</p> <p>8 referring to, the amounts are the same on the</p> <p>9 invoice than are listed in the books and</p> <p>10 records; is that correct?</p> <p>11 A. Yes.</p> <p>12 EXAMINATION</p> <p>13 BY MR. HAYWOODE:</p> <p>14 Q. May I inquire on this point:</p> <p>15 These books are kept on the accrual</p> <p>16 basis and expense accrued in 2002 would have</p> <p>17 been expensed in 2002; is that correct?</p> <p>18 MR. TRAUB: Objection.</p> <p>19 I want to quickly correct your</p> <p>20 question.</p> <p>21 MR. HAYWOODE: Hold it.</p> <p>22 MR. TRAUB: The books are on a cash</p> <p>23 basis.</p> <p>24 MR. HAYWOODE: Let's let him answer</p> <p>25 it.</p>	<p style="text-align: right;">125</p> <p>1 Orley George Cameron</p> <p>2 MR. TRAUB: Are you proffering</p> <p>3 him as an expert on accounting,</p> <p>4 Mr. Haywoode?</p> <p>5 MR. HAYWOODE: I am asking that the</p> <p>6 witness answer the question, and you can</p> <p>7 put any other question you have.</p> <p>8 EXAMINATION</p> <p>9 BY MR. HAYWOODE:</p> <p>10 Q. Do you recall the question?</p> <p>11 A. No. Could you remind me of the</p> <p>12 question?</p> <p>13 Q. If I am on the accrual basis and I</p> <p>14 receive money in 2005, the money to Marks</p> <p>15 Paneth & Shron, would it not have been</p> <p>16 expensed -- I'm sorry -- in 2002, would it not</p> <p>17 have been expensed in 2002 and deducted in</p> <p>18 2002?</p> <p>19 A. That is correct.</p> <p>20 MR. TRAUB: Objection.</p> <p>21 Q. Now, if it later appeared in 2006</p> <p>22 and was deducted in 2006 again in whole,</p> <p>23 wouldn't I be expensing the same amount of</p> <p>24 money twice in two different years?</p> <p>25 A. That is correct.</p>

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<p style="text-align: right;">126</p> <p>1 Orley George Cameron</p> <p>2 MR. KELLY: Objection.</p> <p>3 Q. Now, you heard testimony here that</p> <p>4 \$181,000 in 2000, I believe Mr. Dawley</p> <p>5 testified to it, was made payable to Dalton,</p> <p>6 which was really money that was owed to</p> <p>7 Prestige Management, Marion Scott Management</p> <p>8 and Grenadier Management -- did you hear that</p> <p>9 testimony?</p> <p>10 MR. TRAUB: Objection to form.</p> <p>11 Misstates prior testimony.</p> <p>12 MR. KELLY: Objection.</p> <p>13 MR. TRAUB: And for the record,</p> <p>14 Mr. Edmonds actually testified that he</p> <p>15 believed that money is due to him.</p> <p>16 MR. HAYWOODE: Counsel is testifying</p> <p>17 now.</p> <p>18 Q. Did you hear about the 181,000</p> <p>19 previously that Mr. Dawley I believe testified</p> <p>20 was attributed as being payable to Dalton</p> <p>21 though it was owed to the previous management</p> <p>22 company before Dalton came on board? Did you</p> <p>23 hear that testimony?</p> <p>24 MR. KELLY: Objection.</p> <p>25 A. I heard the testimony from Dawley,</p>	<p style="text-align: right;">128</p> <p>1 Orley George Cameron</p> <p>2 expense that money yet again; would it not?</p> <p>3 MR. TRAUB: Objection.</p> <p>4 Calls for an improper hypothetical</p> <p>5 and a legal conclusion.</p> <p>6 MR. KELLY: Objection.</p> <p>7 A. Yes, but if it's paid out again it</p> <p>8 doesn't have to be expensed because it's not</p> <p>9 really accrued.</p> <p>10 So when you pay the second time,</p> <p>11 it's not expensed.</p> <p>12 Q. It shouldn't be expensed?</p> <p>13 A. It shouldn't be expensed.</p> <p>14 Q. So that if Mr. Dawley testified at</p> <p>15 his deposition that the money was being held</p> <p>16 and could be expensed a second time in paying</p> <p>17 it to the managing general partners, that</p> <p>18 would be a double expensing of the same amount</p> <p>19 of money; would it not?</p> <p>20 MR. TRAUB: Objection.</p> <p>21 Misstates prior testimony.</p> <p>22 MR. KELLY: Objection.</p> <p>23 A. I mean, if it was expensed, but I</p> <p>24 don't think -- just to add, I don't think the</p> <p>25 issue was whether or not it could be expensed</p>
<p style="text-align: right;">127</p> <p>1 Orley George Cameron</p> <p>2 yes.</p> <p>3 In our review of the records we</p> <p>4 asked for documentation to support the</p> <p>5 accounts payable and part of what we were</p> <p>6 given was from the accountant, actually, was</p> <p>7 information that \$181,000 is payable to Dalton</p> <p>8 Management.</p> <p>9 But then I later learned, and also</p> <p>10 confirmed by Mrs. Seavey, that was actually</p> <p>11 due to the partners.</p> <p>12 Q. And if they were accounting on the</p> <p>13 accrual basis in the 1990s when this money was</p> <p>14 accrued to Prestige, Grenadier, and Marion</p> <p>15 Scott, money would have been expensed in those</p> <p>16 years; is that correct?</p> <p>17 A. It should have been expensed, yes.</p> <p>18 MR. TRAUB: Objection.</p> <p>19 A. That's the reason why it was -- for</p> <p>20 it to be listed as accounts payable it means</p> <p>21 that it was expensed, yes.</p> <p>22 Q. And if that money continues on the</p> <p>23 books for a period of nine years and if it</p> <p>24 were to be paid out, let's say, in 2012 to</p> <p>25 Dalton Management, it would be wrong to</p>	<p style="text-align: right;">129</p> <p>1 Orley George Cameron</p> <p>2 again because it had already been expensed and</p> <p>3 is listed in accounts payable.</p> <p>4 I think the issue for us, when we</p> <p>5 reviewed it, was the appropriateness of it</p> <p>6 being listed as due to Dawley.</p> <p>7 MR. TRAUB: Dalton?</p> <p>8 THE WITNESS: I'm sorry. To Dalton</p> <p>9 Management.</p> <p>10 Why do I keep mixing the two?</p> <p>11 Q. What was inappropriate about it?</p> <p>12 A. The fact that it was an invoice</p> <p>13 presented by another management company and</p> <p>14 this is now being made payable to the current</p> <p>15 management company.</p> <p>16 As a matter of fact, technically,</p> <p>17 number one, the fact that the tax returns, and</p> <p>18 the tax returns are prepared on an accrual</p> <p>19 basis, they are not prepared on a cash basis.</p> <p>20 They are prepared on an accrual basis.</p> <p>21 The fact that they are prepared on</p> <p>22 an accrual basis and were included in</p> <p>23 expense -- you are shaking your head -- the</p> <p>24 tax returns I have is prepared on an accrual</p> <p>25 basis.</p>

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<p style="text-align: right;">130</p> <p>1 Orley George Cameron</p> <p>2 So that if they were expensed on the</p> <p>3 tax return in whatever year, technically if</p> <p>4 it's not paid within a certain period of time,</p> <p>5 it has to be written back or written off or be</p> <p>6 charged off, had to be adjusted back. That's</p> <p>7 an IRS requirement.</p> <p>8 A GAAP requirement is that if the</p> <p>9 liability is not going to be paid to the</p> <p>10 invoice, to the vendor that supplied that</p> <p>11 invoice, that it has to be written off.</p> <p>12 So it's not -- it's not GAAP for it</p> <p>13 to be carried on the balance sheet indefinite.</p> <p>14 Q. Do you know who the --</p> <p>15 A. And GAAP means not accepted by</p> <p>16 accounting principle.</p> <p>17 Q. Do you know who the principals of</p> <p>18 Dalton Management are?</p> <p>19 A. I'm not sure.</p> <p>20 Q. To your knowledge, is John Edmonds</p> <p>21 in any way a principal involved with Dalton</p> <p>22 Management other than as a general managing</p> <p>23 partner of properties that they manage?</p> <p>24 He is not a principal of Dalton?</p> <p>25 A. John told me he is not a part owner</p>	<p style="text-align: right;">132</p> <p>1 Orley George Cameron</p> <p>2 Q. I have some followup questions about</p> <p>3 what Mr. Haywoode was asking regarding the</p> <p>4 invoice for, I think you just referred to it</p> <p>5 as the '02 invoice that accrued in '02.</p> <p>6 Then it was recorded on the</p> <p>7 financial statements on the accrual basis for</p> <p>8 '02, but it wasn't actually paid until '06.</p> <p>9 A. Is that what my response was?</p> <p>10 Q. I want to clarify that. I wasn't</p> <p>11 sure what your response was.</p> <p>12 A. My response was that there was an</p> <p>13 invoice that was dated in '02 but was expensed</p> <p>14 in '06. It was paid and expensed in '06. And</p> <p>15 I'm saying that it's clearly improper, because</p> <p>16 if it was an '02 invoice, if it was not paid,</p> <p>17 it should have been accrued.</p> <p>18 MR. HAYWOODE: Do you know --</p> <p>19 MR. KELLY: Let me finish.</p> <p>20 Q. How many times was that invoice</p> <p>21 actually paid?</p> <p>22 A. I have no way of knowing.</p> <p>23 Q. Do you know if that invoice was</p> <p>24 actually paid?</p> <p>25 A. In '06, yes.</p>
<p style="text-align: right;">131</p> <p>1 Orley George Cameron</p> <p>2 of Dalton Management.</p> <p>3 Q. To your knowledge, is Nealle Seavey</p> <p>4 a member of Dalton Management, to your</p> <p>5 knowledge?</p> <p>6 A. To my knowledge, frankly, I'm not</p> <p>7 sure who the owners, the principal of Dalton</p> <p>8 Management are.</p> <p>9 I know Ron is the CEO.</p> <p>10 Q. Indicating Mr. Dawley?</p> <p>11 A. Mr. Dawley.</p> <p>12 I don't know who the owners are.</p> <p>13 Q. You have no knowledge as to whether</p> <p>14 Phyllis or Robert Seavey are members of Dalton</p> <p>15 Management?</p> <p>16 A. I think not knowledge that I can</p> <p>17 verify, but I think by in discussion, yes, I</p> <p>18 have, yes. They are the principals.</p> <p>19 MR. HAYWOODE: That's all.</p> <p>20 MR. KELLY: I have just a clarifying</p> <p>21 question from what Mr. Haywoode asked</p> <p>22 regarding the '02 invoice.</p> <p>23 THE WITNESS: Which one?</p> <p>24 EXAMINATION</p> <p>25 BY MR. KELLY:</p>	<p style="text-align: right;">133</p> <p>1 Orley George Cameron</p> <p>2 Q. It was paid in '06?</p> <p>3 A. Yes.</p> <p>4 Q. Do you know if it was paid in '02,</p> <p>5 as well?</p> <p>6 A. I do not know.</p> <p>7 Q. So as far as you know it was only</p> <p>8 paid once?</p> <p>9 A. It was paid in '06, as far as I</p> <p>10 know.</p> <p>11 Q. And whether it was properly recorded</p> <p>12 as an expense in '02 or '06, that's just an</p> <p>13 accounting column to put it in, it's not a</p> <p>14 misappropriation of funds; correct?</p> <p>15 A. Well, it was also a misstatement of</p> <p>16 the report, especially given the fact that</p> <p>17 it's the auditor's invoice.</p> <p>18 Q. Do you know the amount of that</p> <p>19 invoice?</p> <p>20 A. The invoice, I think the amount that</p> <p>21 was paid from that invoice, the total invoice</p> <p>22 is exceeding 100,000, but the balance that was</p> <p>23 paid -- I know the balance that was paid in</p> <p>24 '06 was 15,000.</p> <p>25 Q. 15,000?</p>

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<p style="text-align: right;">134</p> <p>1 Orley George Cameron</p> <p>2 A. The total amount of the invoice, I</p> <p>3 don't know.</p> <p>4 Q. When conducting an audit, does the</p> <p>5 auditor determine a level of materiality for</p> <p>6 transactions?</p> <p>7 A. Yes.</p> <p>8 Q. Do you know what the level of</p> <p>9 materiality for transactions were for the</p> <p>10 audit of this entity?</p> <p>11 A. Each auditor determines their own</p> <p>12 level of materiality.</p> <p>13 Q. Do you know what the level of</p> <p>14 materiality was that Marks Paneth & Shron as</p> <p>15 auditors determined for this entity?</p> <p>16 A. No.</p> <p>17 Q. So do you know if this payment in</p> <p>18 2006 was above or below that level of</p> <p>19 materiality?</p> <p>20 A. I would not know, but given the fact</p> <p>21 that amount was adjusted -- I mean materiality</p> <p>22 is what you use as a gauge to determine the</p> <p>23 extent of your audit or if there is a</p> <p>24 misstatement, whether or not you are going to</p> <p>25 consider it serious.</p>	<p style="text-align: right;">136</p> <p>1 Orley George Cameron</p> <p>2 --</p> <p>3 A. 181.</p> <p>4 Q. -- 181 payable to a previous</p> <p>5 management company, and you had testified that</p> <p>6 it shouldn't be on the books for this long.</p> <p>7 A. Right.</p> <p>8 Q. What would happen --</p> <p>9 MR. KELLY: Strike that.</p> <p>10 Q. If you wrote that payment off the</p> <p>11 books, would that result in an income to --</p> <p>12 taxable income to the entity?</p> <p>13 A. Yes.</p> <p>14 Q. And by keeping it on the books, you</p> <p>15 are avoiding having to report that taxable</p> <p>16 income or claim that taxable income; correct?</p> <p>17 A. Yes. Be careful with the term you</p> <p>18 use.</p> <p>19 Q. I am using layman's terms at this</p> <p>20 point, not technical accounting terms.</p> <p>21 So if that payment were to be made,</p> <p>22 it would cause taxable income to the entity?</p> <p>23 MR. HAYWOODE: I assume you mean</p> <p>24 Dalton Management?</p> <p>25 A. If the payment were to be made?</p>
<p style="text-align: right;">135</p> <p>1 Orley George Cameron</p> <p>2 However, when you are aware of --</p> <p>3 when you are aware of, it doesn't matter if</p> <p>4 it's a penny, if you are aware of a</p> <p>5 misstatement you have a duty, too. You cannot</p> <p>6 shun that based on materiality. You have</p> <p>7 to -- I mean you have to address it.</p> <p>8 And that invoice -- those payments</p> <p>9 were reclassified from accounting to management</p> <p>10 consulting.</p> <p>11 Q. Do you know what sources were</p> <p>12 provided in connection with that</p> <p>13 reclassification?</p> <p>14 A. Well, actually it's a whole variety</p> <p>15 of services, including auditing, management</p> <p>16 consulting, it was a very detailed bill, phone</p> <p>17 calls, conversation. It was very detailed.</p> <p>18 Q. So that some of the items on that</p> <p>19 bill relating to management consulting would</p> <p>20 justify reclassifying part of that invoice to</p> <p>21 management consulting duties?</p> <p>22 A. It would, yes, but it would also</p> <p>23 need to be reclassified to the prior period.</p> <p>24 Q. Another topic Mr. Haywoode asked you</p> <p>25 about included the \$191,000 that Mr. Edmonds</p>	<p style="text-align: right;">137</p> <p>1 Orley George Cameron</p> <p>2 Q. The partnership has it on the books</p> <p>3 as an expense that has already been paid;</p> <p>4 correct?</p> <p>5 A. That had been accrued.</p> <p>6 Q. That had already been accrued.</p> <p>7 If that expense is written off, that</p> <p>8 would count as income to the partnership;</p> <p>9 correct?</p> <p>10 A. Yes.</p> <p>11 MR. TRAUB: Can you clarify that?</p> <p>12 Q. To Logan Partnership?</p> <p>13 A. Yes.</p> <p>14 Q. If Logan Partnership has to report</p> <p>15 181,000 in additional income, it would have to</p> <p>16 pay taxes on that additional income; correct?</p> <p>17 A. The partners would.</p> <p>18 Q. Partners would?</p> <p>19 A. Um-hum.</p> <p>20 Q. So if this amount was written off,</p> <p>21 then the partners would have to report income</p> <p>22 in relation to that 181,000; correct?</p> <p>23 A. Um-hum, yes.</p> <p>24 Q. And the partnership I am referring</p> <p>25 to is Logan?</p>

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<p style="text-align: right;">138</p> <p>1 Orley George Cameron</p> <p>2 A. Logan, yes.</p> <p>3 Q. The money, no matter who it's paid</p> <p>4 to, would have to be recaptured -- that's the</p> <p>5 term -- as income --</p> <p>6 A. Right.</p> <p>7 Q. -- to Logan Partnership?</p> <p>8 A. Partnership.</p> <p>9 Q. Whoever received that money would</p> <p>10 also have to pay income tax depending on the</p> <p>11 personal situation on that as income?</p> <p>12 A. Yes.</p> <p>13 MR. KELLY: I have no further</p> <p>14 questions.</p> <p>15 EXAMINATION</p> <p>16 BY MR. TRAUB:</p> <p>17 Q. Mr. Haywoode had asked you a bunch</p> <p>18 of hypotheticals regarding books and records</p> <p>19 that are kept on an appreciated basis.</p> <p>20 A. On an accrual basis.</p> <p>21 Q. I'm sorry. On an accrual basis.</p> <p>22 Isn't it true that the books and</p> <p>23 records of the partnership are kept on a cash</p> <p>24 basis?</p> <p>25 A. They're kept on a cash basis, but</p>	<p style="text-align: right;">140</p> <p>1 Orley George Cameron</p> <p>2 A. Did we have a discussion about</p> <p>3 that? I'm not sure.</p> <p>4 I think Mr. Seavey told me it</p> <p>5 belongs to the partners.</p> <p>6 Q. Has Mr. Edmonds ever told you that</p> <p>7 half of that belongs to him?</p> <p>8 A. No. We have never had such</p> <p>9 discussion, no.</p> <p>10 MR. TRAUB: I have nothing</p> <p>11 further.</p> <p>12 EXAMINATION</p> <p>13 BY MR. HAYWOODE:</p> <p>14 Q. Mr. Cameron, if another ten years</p> <p>15 went by and the current party has moved to</p> <p>16 another jurisdiction, something like that,</p> <p>17 this money would still be on the books payable</p> <p>18 to Dalton Management; is that correct?</p> <p>19 A. I am not speaking of the prophesies.</p> <p>20 Q. The hypothetical.</p> <p>21 A. That's prophesying.</p> <p>22 MR. TRAUB: He wasn't finished with</p> <p>23 his answer.</p> <p>24 A. The fact that it is from my</p> <p>25 information it has been on the books prior to</p>
<p style="text-align: right;">139</p> <p>1 Orley George Cameron</p> <p>2 the accruals are carried back -- the accruals</p> <p>3 are entered in by the accountant each year in</p> <p>4 order to adjust it.</p> <p>5 Q. By the auditors Marks Paneth &</p> <p>6 Shron?</p> <p>7 A. By the auditors Marks Paneth &</p> <p>8 Shron.</p> <p>9 Q. But they are kept on a cash basis?</p> <p>10 A. The books are kept on a cash basis,</p> <p>11 right.</p> <p>12 Q. I just want to be clear:</p> <p>13 With regard to the \$181,000 that we</p> <p>14 have all been discussing over the last few</p> <p>15 minutes, that has not been paid to anyone; is</p> <p>16 that correct?</p> <p>17 A. No.</p> <p>18 Q. The Seaveys have not been paid any</p> <p>19 money from that \$181,000, as far as you know?</p> <p>20 A. As far as '06.</p> <p>21 Q. And Dalton Management has not been</p> <p>22 paid that \$181,000?</p> <p>23 A. As far as '06, yes.</p> <p>24 Q. Has Mr. Edmonds ever told you that</p> <p>25 he is laying claim to half of that \$181,000?</p>	<p style="text-align: right;">141</p> <p>1 Orley George Cameron</p> <p>2 the year 2000.</p> <p>3 I'm saying based on all standards,</p> <p>4 GAAP and IRS standards, it should not be.</p> <p>5 One of the major problems, it was</p> <p>6 renamed. The vendor was renamed. I mean, a</p> <p>7 vendor supplied an invoice and the invoice is</p> <p>8 accrued. So that if that vendor is entered</p> <p>9 to the invoice, it remains in the vendor's</p> <p>10 name.</p> <p>11 If it doesn't, if the vendor is not</p> <p>12 entitled to the invoice and it is so</p> <p>13 determined, then it has to be written back.</p> <p>14 I mean, that's what my profession</p> <p>15 tells me how to treat that.</p> <p>16 Q. And if I carry it for ten more years</p> <p>17 in the name of Dalton Management, ten years</p> <p>18 from now, what would stop me from expensing</p> <p>19 that money a second time to Dalton</p> <p>20 Management?</p> <p>21 MR. KELLY: Objection.</p> <p>22 MR. TRAUB: Objection.</p> <p>23 A. Well, I'm not a prophet, but if you</p> <p>24 notice in our management comment, we adjust</p> <p>25 that. The fact that if it doesn't belong, it</p>

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<p style="text-align: right;">142</p> <p>1 Orley George Cameron</p> <p>2 has to be labeled to who it belongs, and if</p> <p>3 it's not it should be written off.</p> <p>4 Q. With regard to related parties and</p> <p>5 materiality, if monies are paid, say to Dalton</p> <p>6 Management, and if Dalton Management is an</p> <p>7 organization owned or controlled by the Seavey</p> <p>8 group or members of the family, should there</p> <p>9 be any particular attention paid by the</p> <p>10 auditor to transactions in the partnership</p> <p>11 between related parties?</p> <p>12 MR. KELLY: Objection.</p> <p>13 MR. TRAUB: Objection.</p> <p>14 A. Related party transaction?</p> <p>15 Q. Yes.</p> <p>16 A. Related party transactions are</p> <p>17 required to be disclosed. Related party</p> <p>18 transactions cannot be not disclosed on the</p> <p>19 basis that it's immaterial.</p> <p>20 Q. If a note was taken by any</p> <p>21 individual, by any of the managing general</p> <p>22 partners or a note payable to that general</p> <p>23 managing partner at any time, should that be</p> <p>24 material regardless of the amount of the</p> <p>25 note?</p>	<p style="text-align: right;">144</p> <p>1 Orley George Cameron</p> <p>2 MR. KELLY: Objection.</p> <p>3 Q. As to documentation?</p> <p>4 MR. TRAUB: Objection.</p> <p>5 A. I cannot agree because the standard</p> <p>6 would not permit me to agree with that.</p> <p>7 The standard requires that related</p> <p>8 party transactions be disclosed.</p> <p>9 Q. Are you aware of how many</p> <p>10 developments owned by the Seavey group</p> <p>11 maintain the management of the Dalton</p> <p>12 company and the auditing services of Marks</p> <p>13 Paneth & Shron, other than the four</p> <p>14 developments that John Edmonds is involved</p> <p>15 in? Are you aware of how many of those?</p> <p>16 MR. TRAUB: Objection.</p> <p>17 MR. KELLY: Objection.</p> <p>18 A. Based on the allocation that we</p> <p>19 received, I would assume -- not assume.</p> <p>20 Based on the salary allocation that</p> <p>21 we received, there are about twelve companies</p> <p>22 that are managed by Dalton Management.</p> <p>23 How many of them are audited by</p> <p>24 Marks Paneth & Shron, I don't know.</p> <p>25 MR. HAYWOODE: I have nothing</p>
<p style="text-align: right;">143</p> <p>1 Orley George Cameron</p> <p>2 MR. TRAUB: Objection.</p> <p>3 A. It may or may not be material, but</p> <p>4 it must be disclosed, the nature of that, the</p> <p>5 nature of that loan and, what do you call it,</p> <p>6 the terms of the note are required to be</p> <p>7 disclosed in their footnotes to the financial</p> <p>8 statement.</p> <p>9 Q. There was a note for \$29,000 that</p> <p>10 you came across, and I believe you testified</p> <p>11 about it a few seconds ago, and the issue was</p> <p>12 put to Mr. Jennings concerning the backup and</p> <p>13 support of that \$29,000; is that correct?</p> <p>14 MR. TRAUB: Objection, compound.</p> <p>15 MR. KELLY: Objection.</p> <p>16 A. I know Mr. Jennings had addressed it</p> <p>17 in his testimony, yes.</p> <p>18 Q. Do you recall his answer was that it</p> <p>19 was beneath the level of materiality?</p> <p>20 A. Yes.</p> <p>21 MR. KELLY: Objection.</p> <p>22 Q. Do you agree with that analysis of</p> <p>23 Mr. Jennings, that a \$29,000 loan payable to a</p> <p>24 managing general partner would be beneath the</p> <p>25 level of materiality?</p>	<p style="text-align: right;">145</p> <p>1 Orley George Cameron</p> <p>2 further.</p> <p>3 MR. KELLY: I have nothing.</p> <p>4 MR. TRAUB: I have nothing.</p> <p>5 MR. KELLY: Okay.</p> <p>6 (Time noted: 1:20 p.m.)</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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<div style="text-align: right;">146</div> <p>1 Orley George Cameron</p> <p>2</p> <p>3</p> <p>4 ACKNOWLEDGMENT</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9 I, ORLEY GEORGE CAMERON, hereby</p> <p>10 certify that I have read the transcript</p> <p>11 of my testimony taken under oath on the</p> <p>12 21st day of April, 2009, that the</p> <p>13 transcript is a true, complete and</p> <p>14 correct record of what was asked,</p> <p>15 answered, and said during the deposition,</p> <p>16 and that the answers on the record as</p> <p>17 given by me are true and correct.</p> <p>18</p> <p>19</p> <p>20 _____</p> <p>21 ORLEY GEORGE CAMERON</p> <p>22 Signed and subscribed to before me</p> <p>23 this ____ day of _____, 2009.</p> <p>24</p> <p>25 _____</p> <p style="text-align: center;">Notary Public</p>	<div style="text-align: right;">148</div> <p>1</p> <p>2 INDEX</p> <p>3 WITNESS EXAMINED BY PAGE</p> <p>4 ORLEY GEORGE CAMERON (Mr. Kelly) 4</p> <p>5 116</p> <p>6 (Mr. Traub) 91</p> <p>7 120</p> <p>8 (Mr. Haywoode) 111</p> <p>9 123</p> <p>10 140</p> <p>11 EXHIBITS</p> <p>12 DEFENDANTS' PAGE</p> <p>13 FOR IDENTIFICATION</p> <p>14 Exhibit 13 Copy of Subpoena issued to Orly Cameron (sic), 5</p> <p>15 Exhibit 14 Document entitled "Independent Auditors' Report," 32</p> <p>16 Exhibit 15 Copy of document on the letterhead of Cameron, Griffiths & Pryce, to Mr. John Edmonds, 39</p> <p>17 Exhibit 16 Copy of Affidavit of Orley G. Cameron, 47</p> <p>18 Exhibit 17 Copy of document on the letterhead of Internal Revenue Service, Department of the Treasury, dated October 26, 2006. 78</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>																																																												
<div style="text-align: right;">147</div> <p>1</p> <p>2</p> <p>3 STATE OF NEW YORK)</p> <p>4) ss:</p> <p>5 COUNTY OF NEW YORK)</p> <p>6</p> <p>7 I, DONNA A. METZ, R.P.R., a Notary</p> <p>8 Public in and for the County of New York and</p> <p>9 State of New York, do hereby certify:</p> <p>10 That I reported the proceedings in</p> <p>11 the within entitled matter, and that the</p> <p>12 within transcript is a true record of such</p> <p>13 proceedings.</p> <p>14 I further certify that I am not</p> <p>15 related by blood or marriage to any of the</p> <p>16 parties in this matter and that I am in no way</p> <p>17 interested in the outcome of this matter.</p> <p>18 IN WITNESS WHEREOF, I have hereunto</p> <p>19 set my hand this 28th day of April, 2009.</p> <p>20</p> <p>21</p> <p>22 _____</p> <p>23 DONNA A. METZ, R.P.R.</p> <p>24 Notary Public</p> <p>25</p>	<div style="text-align: right;">149</div> <p>1</p> <p>2 ERRATA SHEET</p> <p>3 CASE NAME: EDMONDS et al. vs SEAVEY et al.</p> <p>4 DEPOSITION DATE: April 21, 2009</p> <p>5 NAME OF WITNESS: ORLEY GEORGE CAMERON</p> <p>6 CHANGES</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>PAGE</th> <th>LINE</th> <th>FROM</th> <th>TO</th> </tr> </thead> <tbody> <tr><td>7</td><td></td><td></td><td></td></tr> <tr><td>8</td><td></td><td></td><td></td></tr> <tr><td>9</td><td></td><td></td><td></td></tr> <tr><td>10</td><td></td><td></td><td></td></tr> <tr><td>11</td><td></td><td></td><td></td></tr> <tr><td>12</td><td></td><td></td><td></td></tr> <tr><td>13</td><td></td><td></td><td></td></tr> <tr><td>14</td><td></td><td></td><td></td></tr> <tr><td>15</td><td></td><td></td><td></td></tr> <tr><td>16</td><td></td><td></td><td></td></tr> <tr><td>17</td><td></td><td></td><td></td></tr> <tr><td>18</td><td></td><td></td><td></td></tr> <tr><td>19</td><td></td><td></td><td></td></tr> <tr><td>20</td><td></td><td></td><td></td></tr> </tbody> </table> <p>21 _____</p> <p>22 ORLEY GEORGE CAMERON</p> <p>23 Subscribed and sworn to before me</p> <p>24 this ____ day of _____, 2009.</p> <p>25 (Notary Public) (commission expires)</p>	PAGE	LINE	FROM	TO	7				8				9				10				11				12				13				14				15				16				17				18				19				20			
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